

C. DUKES SCOTT
EXECUTIVE DIRECTOR

1441 Main Street, Suite 300
Columbia, SC 29201



DAN F. ARNETT
CHIEF OF STAFF

Main Line (803) 737-0800
Legal Department: (803) 737-0877

February 16, 2007

FLORENCE P. BELSER
GENERAL COUNSEL

VIA E-FILING & HAND DELIVERY

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Petition of Bluffton Telephone Company and Hargray Telephone Company to Implement
Extended Area Service (EAS)-**Docket No. 2006-99-C**
And
Request for Extended Calling Area from Bluffton/Sun City Hilton Head Area to Hilton Head
Island-**Docket No. 2005-204-C**

Dear Mr. Terreni:

Enclosed please find the original and one copy of the Office of Regulatory Staff's Proposed Order in the
above referenced dockets.

Please note that the attached documents are exact duplicates, with the exception of the form of the
signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing
instructions.

By copy of this letter we are also serving all other parties of record. Please let me know if you have any
questions.

Sincerely,

Nanette S. Edwards

NSE/pjm
Enclosures

cc: Margaret M. Fox, Esquire
Bonnie D. Shealy, Esquire
Frank R. Ellerbe III, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NOS. 2005-204-C AND 2006-99-C– ORDER NO. 2007-

_____, 2007

In Re:)
Request for Extended Calling Area)
From Bluffton/Sun City Hilton Head)
Area to Hilton Head Island)
Docket No. 2005-204-C)
)
)
Petition of Bluffton Telephone)
Company and Hargray Telephone)
Company to Implement Extended)
Area Service (EAS))
Docket No. 2006-99-C)
_____)

OFFICE OF REGULATORY
STAFF’S PROPOSED ORDER

INTRODUCTION

This matter is before the Public Service Commission of South Carolina (the “Commission”) on the Petition of Bluffton Telephone Company (“Bluffton”) and Hargray Telephone Company (“Hargray”), (also jointly referred to as “Petitioners”), to approve a plan for Extended Area Service (“EAS”) between Bluffton and Hargray service areas. Docket No. 2005-204-C was initiated by a consumer complaint regarding the charges imposed for calls between Bluffton/Sun City to Hilton Head Island. Subsequently, the Commission consolidated Docket No. 2005-204-C with the Petition filed by Bluffton and Hargray in Docket No. 2006-99-C. As explained more fully below, on November 30, 2006,

the Commission held a hearing on this matter, and is approving the proposed EAS plan, as requested by the Petitioners.

BACKGROUND

In June of 2005, the Commission forwarded a letter from Mr. Cotnoir, a resident of Sun City Hilton Head (Bluffton) to the Office of Regulatory Staff (“ORS”). On June 28, 2005, ORS responded to Mr. Cotnoir’s letter. Mr. Cotnoir, in essence, requested the establishment of an extended local calling area between Sun City Hilton Head (Bluffton) to Hilton Head Island. The ORS notified the Commission via letter correspondence that if the Commission determined that a study of Mr. Cotnoir’s complaint was necessary, ORS would perform such a study. Pursuant to Order No. 2005-382 issued July 19, 2005, the Commission directed ORS to investigate the costs associated with the requested extended area calling, investigate alternatives to extended area calling and make a recommendation within sixty (60) days of the Commission Order. On September 1, 2005, ORS requested a forty-five (45) day extension in order to obtain and review the cost information to be provided by Bluffton and Hargray. By Commission Order 2005-487, the Commission granted ORS’s request for an extension. Additional extensions were granted by the Commission pursuant to Order Nos. 2005-650 and 2005-681 due to the difficulty of gathering the cost data. On December 19, 2005, ORS reported its findings to the Commission and filed a Motion Requesting That Materials Be Treated as Confidential. Pursuant to Order Nos. 2006-26 and 2006-27 the Commission granted confidential treatment to the materials with the exception of incremental per line costs. On December 28, 2005, ORS filed a revised report along with a Motion Requesting that Materials Be Treated as Confidential. In the

revised report, ORS recommended an additional charge of \$4.18 for Bluffton's residential customers and \$8.36 for Bluffton's business customers or a composite charge of \$5.30. ORS also recommended that Bluffton customers be balloted to determine their overall willingness to absorb this increase.

On April 3, 2006, Petitioners filed a Motion to Hold the Proceeding in Abeyance in Docket No. 2005-204-C in order to consider a more comprehensive plan for calls placed between Bluffton and Hargray. Bluffton and Hargray submitted the instant Petition requesting approval of a proposed EAS plan that would result in an additional charge of \$2.25 per month per residential customer and \$4.50 per month per business customer for both the Hargray and Bluffton exchanges. The plan also eliminated Measured Extended Area Service ("MEAS") and eliminated an optional local flat rate calling plan. Pursuant to Order No. 2006-261 issued April 26, 2006, the Commission consolidated Dockets 2005-204-C and 2006-99-C thereby rendering moot the pending Motion to Hold Proceedings in Abeyance.

On May 15, 2006, the South Carolina Cable Television Association ("SCCTA") filed a Petition to Intervene. On May 22, 2006, the Petitioners filed an objection to the SCCTA's request to intervene. Pursuant to Order No. 2006-404, the Commission set a hearing for oral argument on September 19, 2006. On September 11, 2006, Petitioners withdrew their objection to SCCTA's intervention.

On September 14, 2006, the Commission issued a notice of hearing for November 30, 2006 and established deadlines for pre-filing of testimony. During the hearing held November 30, 2006, SCCTA made a motion to deny the Petition as a matter of law and requested that the Commission take judicial notice of certain Commission orders.¹ The Chairman ruled that the Commission would take judicial notice of the orders cited by

¹ Order Nos. 86-658, 87-172, 89-60, 89-366, 89-536, 89-886, 93-808, 94-600, 95-1473, 2003-215, 2004-452.

SCCTA and that the Commission would rule on SCCTA's motion to deny the petition in its final order.

FINDINGS OF FACT

After thorough consideration of the entire record including the testimony, exhibits and the applicable law, the Commission makes the following findings of fact with respect to the proposed EAS plan:

1. Bluffton Telephone Company ("Bluffton") and Hargray Telephone Company ("Hargray") are incumbent local exchange telephone companies. Bluffton serves approximately 20,692 access lines and Hargray serves approximately 50,303 access lines. Hargray serves two local exchanges, Hardeeville and Hilton Head, and Bluffton serves one exchange called Bluffton which is located between Hargray's two exchanges.

2. On May 15, 2006, Petitioners filed with the Commission proof of publication in a newspaper of general circulation in the affected service areas notice of the proposed EAS plan. The notice described the proposed additional surcharge of \$2.25 per month per residential customer and \$4.50 per month per business customer. (T. Vol 1 page 33).

3. On September 14, 2006, the Commission issued notice of the hearing for November 30, 2006 and established deadlines for pre-filing of testimony. On October 19, 2006, Petitioners submitted the prefiled testimony of Mark D. Reinhardt.

4. The Commission held a public hearing on November 30, 2006. The Petitioners were represented by M. John Bowen, Jr., Esquire and Margaret M. Fox, Esquire. The ORS was represented by Nanette Edwards, Esquire. SCCTA was represented by Frank R. Ellerbe, III, Esquire and Bonnie D. Shealy, Esquire.

5. The sole witness presenting testimony in this matter was Mr. Mark D. Reinhardt, Director of Customer Services and Government Affairs for Hargray Communications, Inc.

6. On behalf of the Petitioners, Mr. Reinhardt testified that Bluffton serves approximately 20,700 access lines and Hargray serves approximately 50,300 access lines. Under the Measured Extended Area Service Plan (“MEAS”) presently in place, calls placed between certain exchanges in Bluffton and Hargray service territories are assessed a rate of \$.04 per minute. Additionally both Bluffton and Hargray offer an Extended Flat Rate Service (“Flat Rate Service”) of \$10.00 per month for residential customers and \$20.00 a month for business customers. The Petitioners propose to replace the current MEAS and Flat Rate Service plans with a mandatory EAS adder of \$2.25 per residential customer per month and an adder of \$4.50 per business customer per month.² Hargray Long Distance would reduce its rate for unlimited nationwide calling from \$24.99 to \$22.74. Based upon current customer calling patterns and product usage, the Petitioners estimate that approximately 63% of residential customers and 52% of business customers would either experience a decrease or no change in total billing for expanded area calling. The remaining customers would experience a small increase, but the increase would not exceed the amount of the adder.

7. The Commission finds that the Petitioners’ proposed plan would benefit both Hargray and Bluffton customers and has received more customer support than opposition. (T. Vol. 1 pages 29-30; 33-34; 41-42). ORS filed its revised report with the Commission on December 28, 2005, in Docket No. 2005-204-C recommending \$4.18 for Bluffton residential customers and \$8.36 for Bluffton business customers or a composite charge of \$5.30. ORS’s

² Mr. Reinhardt testified that actual cost results showed a monthly cost of \$2.42 per residential customer and \$4.85 per business customer (T. Vol. 1 page 29).

report focused on the cost of providing EAS from Bluffton/Sun City Hilton Head to the Hilton Head Island area which would benefit only Bluffton customers.

8. The Commission finds that the proposed EAS plan does not violate any Commission rule or regulation and appropriately resolves frequent customer confusion and/or complaints regarding the placement of local versus toll calls between Hargray and Bluffton exchanges. (T. Vol. 1 pages 29-30). Counsel for SCCTA argued that through prior Commission orders, the Commission has established a procedure for reviewing and approving EAS arrangements. Specifically, SCCTA argued that the process of performing community of interest studies and balloting customers has not been performed in this case. However, SCCTA counsel also admitted that there is no Commission rule or regulation related to the procedure for establishing EAS arrangements. (T. Vol 1 page 43). Furthermore, the Commission notes that *both* balloting and a public hearing were not required in the majority of the cases cited by SCCTA.

9. The Commission finds that given the availability of competitive alternatives balloting and community of interest studies are not required in addition to holding a public hearing. The Commission's prior cases involving EAS plans cited by SCCTA pre-date the Telecommunications Act of 1996 and the advent of wireless competition in the local exchange market. Commission Order 2005-141 dated March 28, 2005, granted the Petitioners alternative regulation due to wireless competition in the Bluffton and Hargray exchanges. S.C. Code Ann. § 58-9-576(A) provides in part:

Any LEC may elect to have rates, terms, and conditions determined pursuant to the plan described in subsection (B), if the commission: (1) has approved a local interconnection agreement in which the LEC is a participant with an entity determined by the commission not to be affiliated with the LEC, (2) determines that another provider's service

competes with the LEC's basic local exchange telephone service, or (3) determines that at least two wireless providers have coverage generally available in the LEC's service area and that the providers are not affiliates of the LEC.

The Commission granted alternative regulation to the Petitioners because several wireless carriers, none of which is affiliated with either Bluffton or Hargray, have wireless coverage generally available in Bluffton's and Hargray's service areas: ALLTEL Communications, Inc. ("ALLTEL"), Cingular Wireless II LLC ("Cingular"), Nextel South Corp. ("Nextel"), Sprint Spectrum, LP, d/b/a Sprint PCS ("Sprint PCS"), Triton PCS Operating Co., LLC, d/b/a SunCom ("SunCom"), T-Mobile USA, Inc. ("T-Mobile"), and Cellco Partnership, d/b/a Verizon Wireless ("Verizon"). (Order No. 2005-141 at page 2). Counsel for SCCTA also recognized that Bluffton/Hargray customers can opt for cellular service. (T. Vol. 1 page 55). Thus, the Commission has already found that competition in the local exchange market exists in Bluffton and Hargray service areas. Prior to the passage of the Telecommunications Act of 1996 customers of incumbent local exchange carriers did not have any choice other than the incumbent and in reviewing EAS proposals the Commission required community of interest studies and ballots. As a result of changes in technology and the availability of competitive alternatives, consumers are not tied to one provider which is a substantial change from the circumstances that existed prior to 1996, and, therefore, the Commission sees no need to ballot customers or require a community of interest study where a public hearing has been afforded.³

10. The Commission finds that the other arguments advanced by counsel for SCCTA do not constitute grounds for rejecting the proposed EAS plan. SCCTA advanced several arguments in opposition to the proposed EAS plan. SCCTA argued that the manner in

³ Mr. Reinhardt testified that customers would have the ability to select another carrier for long distance service. (T. Vol. 1 page 33).

which the cost study was completed is improper because the study encompassed both Hargray and Bluffton together rather than as separate entities. SCCTA further argued that as alternative regulated companies, the Petitioners have the ability to reduce the rates of their current tariffed offerings. Of most importance to SCCTA is the interaction between the proposed EAS arrangement and the current state Universal Service Fund (“USF”) support paid to the Petitioners. (T. Vol. 1 page 45 lines 14-20). SCCTA argued that the Petitioners currently receive state Universal Service Fund (“USF”) support for basic local service and by enlarging basic local service to include the proposed EAS arrangement, the Petitioners should not receive USF support for any service other than basic local service. Finally, SCCTA argued that if Petitioners’ proposed EAS arrangement replaces the MEAS and the Flat Rate Service services, then the adder should be separate from basic local service; the adder should be optional to the customer; and those lines should no longer be eligible for USF support. With regard to the cost study, the costs and revenues of both Hargray and Bluffton were used to develop the proposed EAS adder. Although a departure from earlier expanded calling area reviews, there is no Commission rule, regulation or order prohibiting the combination. SCCTA’s argument that the Petitioners have the ability under alternative regulation to reduce tariffed rates misses the point. Petitioners seek to replace existing tariffed products (the MEAS and Flat Rate Service) with the proposed EAS plan resulting in a larger local calling area for Hargray and Bluffton customers and resulting in an increase for some customers and a decrease for the majority of customers. With regard to issues raised by SCCTA pertaining to state USF support, those issues should be raised in Docket No. 1997-239-C. Furthermore, Petitioners will not receive additional state USF support related to the proposed EAS plan unless a new petition is filed with the Commission for additional USF support and a hearing is held. The Commission notes counsel for the Petitioners stated that

Petitioners do not seek additional state USF contributions as a result of the approval of the EAS plan. (T. Vol. 1 page 49).

CONCLUSIONS OF LAW

Based upon the record in this proceeding, the Commission makes the following conclusions of law:

1. This Commission concludes that it has jurisdiction over this matter and the relief sought in the Petition pursuant to S.C. Code Ann. § 58-9-210.
2. We conclude that the proposed EAS plan benefits both Hargray and Bluffton customers.
3. We conclude that Petitioners have complied with the requirements of all applicable regulations and statutes.
4. We conclude that balloting and community of interest studies are not required where a public hearing was noticed in a publication of general circulation in the affected service areas.
5. Based on the foregoing findings of fact, the file in this matter, and the hearing held in this matter, the Commission concludes that the Petitioners' proposal to replace existing MEAS and Flat Rate Service plans with a mandatory EAS adder in the amount of \$2.25 per residential customer per month and \$4.50 per business customer per month should be approved and SCCTA's motion should be denied.

IT IS, THEREFORE, ORDERED THAT:

1. The Commission hereby approves the Petition to implement the expanded local calling plan, all in the manner as proposed by Petitioners.
2. SCCTA's motion is denied.
3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton
Chairman

ATTEST:

C. Robert Moseley
Vice Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NOs. 2006-99-C and 2005-204-C

IN RE:

Petition of Bluffton Telephone Company and)	
Hargray Telephone Company to Implement Extended)	CERTIFICATE OF
Area Service (EAS))	SERVICE

And

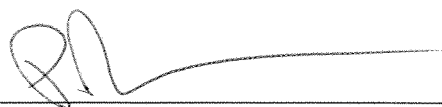
Request for Extended Calling Area from Bluffton/)
Sun City Hilton Head Area to Hilton Head Island)

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **PROPOSED ORDER** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Margaret M. Fox, Esquire
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, SC 29211

Bonnie D. Shealy, Esquire
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC, 29202

Frank R. Ellerbe III, Esquire
Robinson, McFadden & Moore, P.C.
P.O. Box 944
Columbia, SC, 29202



Pamela J. McMullan

February 16, 2007
Columbia, South Carolina